

Approved: Jan 19, 1995  
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 18, 1995 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Feleciano, Gooch, Harris, Hensley, Kerr, Petty, Ranson, Reynolds, Steffes and Vidricksen.

Committee staff present: Lynne Holt, Legislative Research Department  
Jim Wilson, Revisor of Statutes  
Betty Bomar, Committee Secretary

Conferees appearing before the committee:

Karen Herman, Chairperson, Governor's Task Force on Housing and Homelessness  
Larry Bowser, President, State Bank of Oskaloosa  
Janet Stubbs, Kansas Building Industry Association  
Steve Israelite, Director of Public Housing, Regional Office of HUD

Others attending: See attached list

The Revisor distributed copies of **5 RS -0395**, establishing the Workers Compensation Board. The Chair explained this proposed legislation was a result of the Supreme Court decision rendered January 13, 1995, which declared unconstitutional the manner in which members of the Board are appointed. The proposed legislation sets up a mechanism by which the members of the Board are to be appointed by the Secretary of Human Resources. The Committee was advised the legislation was intended to retain the same nominating procedure and the same Board members for the duration of their terms, but to reconstitute the Board and to delegate the appointing authority in a manner that would meet a constitutional challenge.

**Senator Burke moved and Senator Gooch seconded motion that 5 RS 0395, be introduced and referred to the Committee of the Whole.**

Karen Herman, Chairperson, Governor's Commission on Housing and Homelessness, testified as to housing needs in cities of approximately 5,000. Economic development has been directly hindered due to the lack of housing. There are needs in the rural areas for affordable housing in order to insure against pockets of poverty. There is also a need to attract developers and builders in these areas. A Report on Housing Policies for the State, attachment 1.

Larry Bowser, President, State Bank of Oskaloosa, related the City of Oskaloosa's experience with working with Terry Carlson, Department of Housing. With Ms. Carlson's assistance and direction, the City Housing Commission, Chamber of Commerce and other local persons sponsored a seminar, to identify the means by which the City could identify its existing housing and its projected housing needs. The information garnered from the survey identified a total of 55 lots within the City on which homes could be built, and further identified the need for affordable elderly facilities. The City of Oskaloosa, together with the County of Jefferson, are now in the process of obtaining financing to construct a Jefferson Retirement Project. This facility will provide housing for some of the elderly, and thus relieve the need for additional homes for families. They have expanded the Housing Commission to include the entire county and now have a County Housing Commission. It has been their experience that the assistance of the Department of Housing has greatly benefitted their local project, and would suggest that there is a need in assisting communities to find adequate financing.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on January 18, 1995.

Steve Israelite, Director of Public Housing, Regional Office, Department of HUD, identified two areas that continue to be a matter of concern in public housing in the State of Kansas: (1) number of vacancies for low income persons; and (2) difficulty finding contractors to do the work. There are a number of projects wherein we receive only one bid or no bids at all on projects that have been approved, particularly in rural areas.

Mr. Israelite stated that it was impossible for him to speak to the proposed revisions expected in the Department of HUD. The Blueprint is to be submitted February 6. He predicted that there would be a continued deregulation of housing.

Janet Stubbs, Kansas Building Industry Association, testified the interest of her Association is affordable housing for all income levels, not simply lower income housing. Developers and builders experience difficulty due to the complexity of financing and lack of technicians. There is a severe shortage of skilled labor. Apprenticeship programs are no longer viable due to the red tape required. Ms. Stubbs stated that Builders do not have funds to speculate. They experience, in some instances, a greater profit margin in rehab work than in new building. see attachment 2

Senator Downey submitted a letter addressed to the Chair from Stephanie Chisum, Director of Community and Economic Development for the City of Hesston, relating to the need for affordable housing. see attachment 3

Upon motion by Senator Steffes, seconded by Senator Ranson, the Minutes of the January 17, 1995 meeting were unanimously approved.

The Committee adjourned at 9:00 a.m.

The next meeting is scheduled for January 19, 1995.

# SENATE COMMERCE COMMITTEE GUEST LIST

DATE: January 18 1995

NAME	REPRESENTING
Wayne Martin	Ks. AFL-CIO
Steven Jraelite	HUD
Ann Elliott	The Associated Landlords of Ks.
Janet Stubbins	Ks BIA
Lang C. Bowers	State Bank of Okaloosa
Harold Sherman	Ks. Commission on Banking & Finance
Jim Newman	Ks. Governmental Consulting
KAREN FRANCIS	KAR
MATTHEW HADDO	VAR
Mark Barcellona	KDOCH
DENNIS SHOCKLEY	KDOCH
Carroll River	DOCAIT
<del>Walter</del>	Kansas Time
Harold Stone	Ks Bankers Assn.
Robert Traylor	FFC

A Report on the Housing Policies for the State of Kansas

November 21, 1994

Submitted by: Karen Herrman, Chairperson  
Governor's Commission on Housing and Homelessness

The State of Kansas has the dubious distinction of being the last state to create a permanent office of housing. Unfortunately, Kansas did not participate in housing finance programs that accumulated substantial sums of money prior to the 1986 Tax Reform Act. Our neighbors have accumulated hundreds of millions of dollars in funds which are filtered back into local community housing efforts.

Kansas is now dependent on Federal housing programs without as much flexibility as the other states. However, for the first time in our history, the federal housing monies have a state office for Kansans to receive the benefits! The Division of Housing, with its dedication to housing as a major component in economic development has brought in over \$26 million during its short history. These sources include the HOME funds, the Low Income Housing Tax Credit program, a grant from the Robert Wood Johnson Foundation and other program sources.

Recognizing the importance of housing solutions to the total economy of the state, former Governor Mike Hayden took the initiative to place housing in the Community Development Division of the Department of Commerce. Governor Joan Finney, affirmed the decision, with an Executive Reorganization Order, placing a Division of Housing within the Department of Commerce in 1992.

This focus on housing as an economic development component came about because a number of community leaders around the state began a grassroots effort to bring these issues to the forefront. The Governors' support gave housing a broader hearing in the legislature, where support was given to take the few housing programs out of SRS and several other agencies and provide an organized agency to receive significant federal housing funds.

The 1990 Census confirmed what many Kansans already knew: Housing problems were hampering the growth and development of their communities. Fears that a housing division would dilute the direction of the Department of Commerce gave way to new appreciation as local communities were led to housing solutions for their economic development needs.

The startup years have accomplished a great deal. The Division of Housing was organized to handle all of the possible housing programs that could be brought to the state. A statewide housing needs assessment was completed and shared with the

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*Attachment 1.*

legislature. A Comprehensive Housing Affordability Strategy (CHAS) was developed, opening the door to federal funds for providing decent, safe, and affordable housing for all Americans.

A housing hotline and a statewide housing services directory were developed in response to the requests of various legislators to share resources with the many local communities lacking full-time housing staffs. Awareness of housing opportunities and solutions reached statewide through a quarterly newsletter, brochures, and other publications. A working relationship is in place with the Resolution Trust Corporation (RTC), Farmers Home Administration (FmHA), Federal Home Loan Bank, Housing and Urban Development (HUD), and other housing resources.

Governor Hayden and Governor Finney each appointed a housing advisory committee. The Governor's Commission on Housing and Homelessness, made up of private citizens and representatives of the various Departments of State, was appointed to serve as an advisory group to the governor and the legislature. The early part of the commission existence focused on specific legislation. Under new leadership the work of the commission has expanded to organize efforts in developing funding sources, program creativity, human rights, and homeless solutions, as well as legislative recommendations. The Commission sees itself as advisory on housing and homeless issues to all state agencies, including the Departments of Aging, SRS, and Education.

The Commission was developed to bring housing issues and their solutions to the forefront of Kansas government. The design of its membership brings diverse perspectives to create a forum for making recommendations on housing. The involvement of citizen volunteers in an advisory capacity fills a gap created by budgetary limitations on the size of a housing staff. Issues which might take up a great deal of time for elected officials and state employees, are filtered through commission members by the contact and forum they provide for housing advocates. Housing issues are a common denominator among many special interest groups, the elderly, the handicapped, those effected by deinstitutionalization, the needs of children, rural communities without housing staffs, economic development leaders, and bankers with requirements for community reinvestment. The commission serves as the conduit for taking these issues to the state.

The first Governor's Conference on Housing and Homelessness, with over 400 people attending the three-day event, addressed housing issues and brought new awareness to solutions. An outreach program expanded to address the issues, lending expertise to communities in solving their own housing problems with local economic development leadership.

The Division of Housing has been working with communities such as Dodge City, which created 1200 new jobs with an existing housing shortage; the small town of Lucas, which was having difficulty in providing housing for the workers of a community factory and through a rehab project, created new comparable values for financing; Larned, which



had a state prison built in the community and failed to address housing. Workers then found homes and took their trade and service needs to other communities in the area. Now, as Larned is poised for more growth, they are directed to a self-help solution with the housing outreach program.

Active housing efforts continue, by researching the programs in other states and drawing on the creativity of the housing staff and the commission.

A new way of keeping housing funds in Kansas was created with the Low Income Housing Tax Credit Equity Fund, which will allow Kansas corporations to participate in the benefits of the bottom-line tax savings the program. Prior practice has been for Kansas developers to sell the equity interests to out-of-state partners, rather than having the monies stay in Kansas. The smaller, non-urban housing developments will especially benefit from this enhancement of the program.

Housing programs pass through in other direct financial benefits to Kansans. By organizing housing programs to the maximum benefit for Kansans, other spendable income stays in the state. Research has shown that those who directly benefit from affordable housing for low and moderate income people, are most likely to spend their remaining resources in the community where they live. By spending less on housing, the communities retain their productive citizenry, with local benefits from their economic dollar. Some Kansas communities have demonstrated that the failure to plan for housing has prevented sound economic development. Some industries have actually refused to locate in communities without adequate housing. Experience shows that builders and developers do not necessarily follow the market opportunities in the non-metropolitan areas.

Sound housing solutions throughout the state will relieve a concentration of poverty in the urban communities and relieve social programs. A public/private collaboration for affordable housing becomes a part of the solution. Well-managed properties address a wide variety of social problems. Done properly, good housing programs upgrade the appearance of housing stock and living standards within a community. They develop self-pride and help clear out crimes, such as drug activity, prostitution, and gang activity. Weatherization, parenting classes, home-ownership classes, child-rearing classes, and work-related training programs are incorporated into some of the subsidized housing projects that are under quality management.

A long-term care action plan currently proposed for state endorsement, involves a significant savings to the state by redirecting the costs of keeping people in nursing homes, when they are able to live in their own homes and apartments with some level of assistance. The bankrupting drain of nursing home costs would be addressed with a very pleasant quality-of-life solution. The plan was a collaborative effort of the Departments of Aging, SRS, Health, and Housing. Similar cooperation organized an Elderly Housing Conference in Manhattan, which has been very well received. The expertise brought to elderly needs by housing people fills a long-standing void.

A well-established state housing finance authority might have been an ideal solution to housing needs. With fiscal limitations, the present arrangement placing housing in the Department of Commerce is a good fit. It fills the often-missed gap in economic development for many communities and effectively facilitates the public/private partnership, so important to effective housing solutions.

A strong housing policy for Kansas is in its infancy, but the impact in a few short years is significant. Sound policy and programs will not only bring in millions of dollars in Federal funds, but will save the State of Kansas untold amounts of social service funding. Kansas is ready to move forward in housing solution.

TESTIMONY  
of  
KANSAS BUILDING INDUSTRY ASSOCIATION  
to the  
SENATE COMMERCE COMMITTEE  
January 18, 1994

MADAM CHAIR AND MEMBERS OF THE COMMITTEE:

I want to thank you for inviting me to appear today for the Kansas Building Industry Association. Our Association is an organization of very diverse membership which includes representation of all facets of the industry and pride ourselves in the representation of all consumers of the shelter industry.

When Lynn contacted me about appearing on this subject I immediately contacted our National Association of Home Builders staff who are exceptionally knowledgeable in their area of expertise and usually prove to be a great resource for us. On this issue, I am advised that the "**Reinvention Blueprint**" is very controversial among our membership and the National Association will not formulate a position until next week during the National Convention in Houston, Texas. Therefore, I have elected to address other issues of concern to our leadership relative to the affordability of housing.

Last Friday I distributed to the office of each legislator the report of the "**Barriers to Affordable Housing**" which was prepared by the volunteer task force which was formed in co-operation with Senate President Bud Burke. The purpose of the task force was to "define the barriers to affordable housing in Kansas" and was an off shoot of the report to President Bush and Secretary Kemp by the Advisory Commission on Regulatory Barriers to Affordable Housing entitled "Not in My Back Yard".

This report deals primarily with the development process and the regulations, delays and expenses to the contractor developer which add to the cost of housing. Time did not permit consideration of other areas of the process.

The KBIA leadership and staff have long been concerned about affordable housing for all Kansas citizens irrespective of income. Someone yesterday used the term, "low cost housing for poor working families". We would take that a step farther and say "low cost housing for working families".

You are considering what can be done for housing after the reorganization of the federal programs. I do not have the answer or the statistics that would be needed to solve this. The individuals who work with these programs daily have much greater expertise in this area than I. It is a topic of

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Attachment 2



conversation I have daily with legislators and industry members with as many ideas as conversations. Dennis Shockley stated yesterday that he had realigned the duties of his staff to deal with the housing shortage in the rural areas of Kansas. Until last fall, I had been receiving more calls regarding this topic than I had ever received in the 16 years with the Association. Perhaps there is a correlation.

I was receiving calls from small towns asking for assistance in finding a contractor who would come to their location and construct housing in the price range which could be afforded by the people working in the area and currently driving a considerable distance to nearby towns. When I finally found someone willing to explore the situation, he learned the following: 1. the land would be donated to the developer/purchaser 2. the structure desired was a 3 bedroom on slab with a 2 car garage. 3. the price necessary to qualify people in their area was \$40,000.

The contractor explored the options available and found that it could not be done even with factory built housing. Not because he was expecting too high a profit margin but because the finished product they wanted would cost too much in material, labor and overhead.

The statement was made during one of yesterday's hearings that contractors preferred new construction jobs because of the greater profit margin. That is a very debatable point and I question the validity of that statement. Remodeling is a much different job than new construction. You have contractors who prefer one type over another just as with any other type work preference.

One thing on which there is unanimity is that there is a great shortage of a skilled or even qualified work force. We have explored the possibility of an apprenticeship program for carpenters and residential construction workers and learned that the "red tape" with the government program was more than we could afford. Other state HBA's have discontinued programs for this reason.

The vocational school graduates in many areas have not been trained satisfactorily and are led to expect higher wages upon graduation than are paid by the construction industry in Kansas. The construction industry experiences a high degree of difficulty in finding workers with a work ethic and ability which assists in improving the bottom line of the end product.

The statement was made yesterday that we needed to rehabilitate existing housing in the inner city rather than constructing new homes in the suburbs. Builders and developers are entrepreneurs. They go where there is a market for their product and skills. There is no demand for housing.

in the inner city because there is a concern about crime and the quality of schools. Until the crime issue is solved, people feel safer starting anew away from the perceived high crime areas. Builders do not want to buy and remodel property that they cannot sell or rent for an amount which will not pay for their efforts.

Have the federal housing programs been the answer to our housing problems in Kansas? For the moderate income families, I do not believe they have. For the low income, working families, I question their success.

What is the answer? We believe government regulations and government fees add considerably to the cost of housing and restrict access and development of housing which could meet needs of Kansans. We are continually exploring possible methods of helping the private sector assist in the solution.

I would ask that you review the report of the Task Force. If you have questions, I would be glad to attempt to obtain the answers for you.

**HESSTON**

January 17, 1995

Senator Salisbury, Chairman  
Senate Commerce Committee  
State Capitol Building  
Topeka, KS 66612-1504

Dear Senator Salisbury,

The Hesston Area Economic Development Corporation appointed a housing task force in Spring, 1994 to conduct a housing assessment study and survey current residents and workers who commute to Hesston. Fifteen hundred workers from Hesston's five largest employers commute to Hesston daily, a town of under 3,200 residents. The number of inquiries for housing reported by the school district, Chamber of Commerce, and realtors is increasing. In mid to late 1994 several developments were approved which increased the inventory of lots for new construction. Twenty-one new homes were constructed last year at an average cost in the mid to high \$130,000's. Of twenty-six resales in 1994, the average sales price of an existing home was \$73,000. Only eight homes sold for under \$50,000, eighteen sold for \$70,000 to \$120,000. The combined average sales price of new construction and resale homes in Hesston in 1994 was \$100,744.

The affordable housing market of existing homes for sale, new construction and rentals continues to plague our community. Our task force initially met with Terry Carlson with the Department of Commerce and Housing and found that the programs available benefitted homes costing \$50,000 and under. We need housing in the \$60,000 to \$80,000 price range. The unemployment rate in Harvey County is 2.8%. It is difficult to attract quality employees or new industry with limited housing options.

We can offer good jobs, excellent education, safe neighborhoods, convenient shopping, services, churches, and health care. A great place for Kansas families! But we can't offer Kansas families affordable housing.

We support your focus on affordable housing and encourage you to consider the challenges of rural communities.

Sincerely,

*Stephanie Chisum*  
Stephanie Chisum

Director of Community and Economic Development

cc: Senator Downey

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*Commerce*  
*Attachment 3.*